

City of Detroit

CITY COUNCIL

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TO: Dan Carmody, President
Eastern Market Corporation

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 4, 2009

RE: 2009-2010 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, May 7, 2009 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pam Scales, Budget Department Director
Joseph Harris, Chief Financial Officer
Donna McAlister, Budget Department
Arese Robinson, Mayor's Office

Eastern Market Corporation

FY 2009-10 Budget Analysis by the Fiscal Analysis Division

Summary

On June 20, 2006, the Detroit City Council authorized a Management and Promotion Agreement between the City of Detroit and the Eastern Market Corporation (EMC) wherein the EMC will operate the public market and promote economic development in the one-mile Market District. Eastern Market operations have been officially transferred to the Eastern Market Corporation. The agreement calls for the City of Detroit to retain ownership of the property.

The Eastern Market Corporation is a non-profit "umbrella organization" created to equally include representatives of the City of Detroit, Eastern Market stakeholders and persons with a special interest in the market, including corporate and foundations.

The mission of the Eastern Market Corporation is to mobilize leadership and resources to achieve stakeholders vision for the Eastern Market District and make the Eastern Market the undisputed center for fresh and nutritious food in southeast Michigan.

Eastern Market Detroit is the largest historic public market district in the United States. Founded in 1891 the market is home to both retail and wholesale sales. Every Saturday, Michigan's largest market is host to more than 150 farmers and vendors from Michigan, Ohio, and Canada.

The Eastern Market Corporation's Consolidated Budget for 2009 (attached) includes revenues of \$2,044,120. The source of the revenue is \$920,000 in Foundation/trust grants, revenue from program-related fees of \$836,620, which include \$600,000 from annual stall leases (shed revenue), \$135,000 from direct contributions and revenue from various other budgeted sources. The Budget for EMC includes expenses of \$1,792,676. The expenses include Salaries & benefits and related expenses of \$878,952 and Building, Business and all other non-personnel related expenses of \$913,724. Based on this budget, there is a \$251,444 projected surplus for 2009.

The Eastern Market Corporation Work Plan calls for the following:

- Renovation of Sheds 2, 3, and 5 for increased days of operation.
- Establishing the Market as Southeast Michigan's food center.
- Establishing an education center and community outreach at Eastern Market.
- Streetscape and public space improvements
- Support of existing businesses and attraction of new businesses and residential development to the Market district.

Eastern Market Corporation has formulated a series of seven initiatives.

Initiatives:

1. Create a flexible-use market space that will integrate market sheds and the adjacent retail store frontage into a Market Square. This will increase the market's days and hours of use, celebrate its historical character and allow market businesses to capitalize on event audiences.
2. Increase the metropolitan Detroit community's accessibility to high quality farm-fresh produce, attract new seasonal growers, and re-establish the market as a premier center for fresh foods through the creation of improved fresh food vendor stalls in historic Shed 2.
3. Improve winterization and add refrigeration to the market's Shed 3 to create a year-round and predictable destination for a healthy array of fresh and specialty foods.
4. Create a new resource to engage the community with food, farm, and nutrition-relation educational programs, add visitor amenities, and enhance the market as an attractive destination through the construction a new Market Services and Food Education Center.
5. Broaden the market's strength in plants and flowers by adding retail greenhouse space to Shed 5 to foster year-round sales.
6. Encourage economically sustainable agriculture product, foster rural-urban educational partnerships and cultivate entrepreneurial opportunity for fresh food producers.
7. Invest in the infrastructure of the market to increase visibility, security, and access resulting in an improved identity, attractiveness and a people-friendly experience.

Eastern Market impact on the 2009-10 FY Budget

In the 2009-10 fiscal year, the Eastern Market has no significant impact on the City Budget. There is a \$182,000 operating subsidy for 2009-10 budgeted in Recreation, appropriation 116.67 – Eastern Market.

Issues and Questions

The Eastern Market Corporation Work Plan indicates that the renovation of Sheds 2, 3, and 5 will assist in increasing the days of operation for the Eastern Market.

- The work for Shed 2 projected at \$1.7 million, is completed and reopened April 18, 2009. Has the completion of this work impacted revenue for the Market?

- The work for Shed 3 projected at \$3.9 million, was initially projected for completion in October 2008. What is the current status of this project and when is this project now scheduled for completion?
- The work for Shed 5 projected at \$1.2 million, was initially projected for completion in June 2008. As of now, when is this project scheduled for completion?
- When does the EMC anticipate it will be prepared to increase its number of days of operation?

EMC's budget includes \$878,952 for salary and benefits for 2009.

- How many full and part-time positions are included in this budget?
- How many of the positions are vacant?

Considering the current state of the economy both locally and nationally has the EMC found it difficult to meet its revenue projections based on the level of both public and private donations? If yes, how much?

Even though the EMC requested \$5 million in capital improvement dollars for 2009-10, the Mayor is not selling bonds to cover 2007-08, 2008-09 and 2009-10 capital programs. What impact does the lack of capital dollars have on the EMC operations?

Please provide an operating budget for 2008 showing budget versus actual.

IC:DH

Attachments: Eastern Market Corporation 2009 Consolidated Budget

Consolidated Budget FY 2009		Total	Operations	Marketing	Business Development	Fundraising	Administration
REVENUES							
4000	Revenue from direct contributions:						
4010	Individual contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4020	Corporate contributions	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -	\$ -
4075	Corporate sponsorships	\$ 53,500	\$ -	\$ 53,500	\$ -	\$ -	\$ -
4085	Uncollectible pledges - estimated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from direct contributions</i>	\$ 133,500	\$ -	\$ 133,500	\$ -	\$ -	\$ -
4100	Donated goods & services revenue:						
4110	Donated professional services-GAAP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4120	Donated other services - non-GAAP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4130	Donated use of facilities	\$ 15,000	\$ 5,100	\$ 2,850	\$ 2,550	\$ 900	\$ 3,600
4140	Gifts in kind - goods	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Donated goods & services revenue:</i>	\$ 15,000	\$ 5,100	\$ 2,850	\$ 2,550	\$ 900	\$ 3,600
4200	Revenue from grants:						
4210	Corporate/business grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4230	Foundation/trust grants	\$ 920,000	\$ -	\$ 245,300	\$ 291,400	\$ 93,500	\$ 289,800
4250	Nonprofit organization grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from non-government grants:</i>	\$ 920,000	\$ -	\$ 245,300	\$ 291,400	\$ 93,500	\$ 289,800
4400	Revenue from indirect contributions:						
4410	United Way or CFC contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4420	Affiliated organizations revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430	Fundraising agencies revenue.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from indirect contributions:</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4500	Revenue from government grants:						
4510	Agency (government) grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4520	Federal grants	\$ 25,900	\$ -	\$ 25,900	\$ -	\$ -	\$ -
4530	State grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4540	Local government grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from government grants:</i>	\$ 25,900	\$ -	\$ 25,900	\$ -	\$ -	\$ -
5100	Revenue from program-related sales & fees:						
5105	Annual stall leases	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -	\$ -
5110	Day stall leases	\$ 70,000	\$ 70,000	\$ -	\$ -	\$ -	\$ -
5120	Summer flower stalls	\$ 37,400	\$ 19,600	\$ 17,800	\$ -	\$ -	\$ -
5130	Christmas stalls	\$ 18,000	\$ 18,000	\$ -	\$ -	\$ -	\$ -
5150	Reserved parking	\$ 9,000	\$ 9,000	\$ -	\$ -	\$ -	\$ -
5160	State parking	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5170	USDA parking	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -
5180	Tailgate parking	\$ 94,220	\$ -	\$ 94,220	\$ -	\$ -	\$ -
	<i>Total Revenue from program-related sales & fees:</i>	\$ 838,620	\$ 726,600	\$ 112,020	\$ -	\$ -	\$ -
5200	Revenue from dues:						
5210	Membership dues-individuals	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -	\$ -
5220	Assessments and dues-organizations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from dues:</i>	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -	\$ -
5300	Revenue from investments:						
5310	Interest-savings/short-term investments	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 55,000
5320	Dividends & interest - securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5360	Other investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5370	Securities sales - gross	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5375	Securities sales cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from investments:</i>	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 55,000
5400	Revenue from other sources:						
5440	Gross sales - inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5445	Cost of inventory sold	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5450	Advertising revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5490	Misc revenue	\$ 25,000	\$ 11,800	\$ 3,800	\$ 3,400	\$ 1,200	\$ 4,800
	<i>Total Revenue from other sources:</i>	\$ 25,000	\$ 11,800	\$ 3,800	\$ 3,400	\$ 1,200	\$ 4,800
5800	Special events:						
5810	Special events - non-gift revenue	\$ 11,100	\$ -	\$ 11,100	\$ -	\$ -	\$ -
5820	Special events - gift revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Revenue from Special Events</i>	\$ 11,100	\$ -	\$ 11,100	\$ -	\$ -	\$ -
6800	Unrealized gain (loss):						
6810	Unrealized gain (loss) - investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6820	Unrealized gain (loss) - other assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<i>Total Unrealized gain (loss):</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue		\$ 2,044,120	\$ 743,500	\$ 554,470	\$ 297,350	\$ 95,600	\$ 353,200

EXPENSES							
Personnel Expense							
7200	Salaries & related expenses:						
7210	Officers & directors salaries	\$ 695,236	\$ 233,177	\$ 128,858	\$ 121,270	\$ 44,042	\$ 167,890
7220	Salaries & wages - other	\$ 12,600	\$ -	\$ 12,600	\$ -	\$ -	\$ -
7230	Pension plan contributions	\$ 19,825	\$ 6,928	\$ 4,208	\$ 3,240	\$ 1,290	\$ 4,160
7240	Employee benefits - not pension	\$ 91,963	\$ 23,624	\$ 14,625	\$ 12,459	\$ 7,474	\$ 33,780
7250	Payroll taxes, etc.	\$ 59,328	\$ 20,680	\$ 13,038	\$ 9,419	\$ 3,540	\$ 12,651
Total Personnel Expense		\$ 878,952	\$ 284,408	\$ 173,328	\$ 146,388	\$ 56,346	\$ 218,481
Other Than Personnel Expense							
7500	Contract service expenses	\$ 71,724	\$ 12,577	\$ 41,174	\$ 6,541	\$ 2,376	\$ 9,056
7510	Fundraising fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7520	Accounting fees	\$ 15,000	\$ 5,031	\$ 2,780	\$ 2,616	\$ 950	\$ 3,622
7530	Legal fees	\$ 20,000	\$ 6,708	\$ 3,707	\$ 3,489	\$ 1,267	\$ 4,830
7540	Professional fees - other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7550	Contract security	\$ 92,700	\$ 29,179	\$ 21,825	\$ 15,175	\$ 5,511	\$ 21,009
7580	Donated professional services - GAAP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7590	Donated other services - non-GAAP	\$ 500	\$ -	\$ 500	\$ -	\$ -	\$ -
8100	Nonpersonnel expenses:						
8110	Office Equipment	\$ 19,900	\$ 838	\$ 17,863	\$ 436	\$ 158	\$ 604
8115	Office Supplies	\$ 13,000	\$ 3,354	\$ 4,853	\$ 1,744	\$ 633	\$ 2,415
8120	Equipment Lease	\$ 5,000	\$ 1,677	\$ 927	\$ 872	\$ 317	\$ 1,207
8130	Telephone & telecommunications	\$ 3,800	\$ 1,274	\$ 704	\$ 663	\$ 241	\$ 918
8135	Software systems	\$ 34,500	\$ 10,062	\$ 10,060	\$ 5,233	\$ 1,900	\$ 7,245
8140	Internet Service	\$ 200	\$ 67	\$ 37	\$ 35	\$ 13	\$ 48
8145	Postage & shipping	\$ 3,000	\$ 503	\$ 1,778	\$ 262	\$ 95	\$ 362
8150	Mailing services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8170	Printing & copying	\$ 15,150	\$ 2,348	\$ 9,447	\$ 1,221	\$ 443	\$ 1,690
8180	Books, subscriptions, references	\$ 200	\$ -	\$ 200	\$ -	\$ -	\$ -
8190	In-house publications	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8200	Facility & equipment expenses:						
8210	Security Technology & Alarm	\$ 58,900	\$ 19,755	\$ 10,917	\$ 10,274	\$ 3,731	\$ 14,224
8220	Groundskeeping	\$ 108,150	\$ 31,996	\$ 30,432	\$ 16,641	\$ 6,043	\$ 23,038
8230	Building maintenance & repair	\$ 73,500	\$ 24,651	\$ 13,623	\$ 12,821	\$ 4,656	\$ 17,749
8240	Capital Equipment	\$ 14,100	\$ 4,729	\$ 2,613	\$ 2,459	\$ 893	\$ 3,405
8260	Equipment repair & maintenance	\$ 10,000	\$ 3,354	\$ 1,853	\$ 1,744	\$ 633	\$ 2,415
8270	Market supplies	\$ 25,000	\$ 8,385	\$ 4,634	\$ 4,361	\$ 1,584	\$ 6,037
8280	Depreciation expense	\$ 26,000	\$ 8,720	\$ 4,819	\$ 4,535	\$ 1,647	\$ 6,279
8300	Travel & meetings expenses:						
8310	Travel	\$ 18,000	\$ 3,000	\$ 3,500	\$ 6,950	\$ 950	\$ 3,600
8320	Conferences, conventions, meetings	\$ 8,800	\$ 1,500	\$ 1,300	\$ 3,000	\$ 600	\$ 2,400
8500	Other expenses:						
8510	Interest-general	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8520	Insurance - non-employee related	\$ 12,000	\$ 4,025	\$ 2,224	\$ 2,093	\$ 760	\$ 2,898
8530	Membership dues - organization	\$ 2,000	\$ 671	\$ 371	\$ 349	\$ 127	\$ 483
8540	Staff development	\$ 8,000	\$ 2,683	\$ 1,483	\$ 1,395	\$ 507	\$ 1,932
8550	Program Entertainment	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ -	\$ -
8560	Outside computer services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8570	Advertising expenses	\$ 47,100	\$ -	\$ 47,100	\$ -	\$ -	\$ -
8580	Contingency provisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8590	Other expenses	\$ 15,000	\$ 5,031	\$ 2,780	\$ 2,616	\$ 950	\$ 3,622
8600	Business expenses:						
8610	Bank fees	\$ 2,500	\$ 838	\$ 463	\$ 436	\$ 158	\$ 604
8620	Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8630	Marketing	\$ 150,000	\$ -	\$ 100,000	\$ 50,000	\$ -	\$ -
8640	Licenses, registrations, permits	\$ 5,000	\$ 335	\$ 4,185	\$ 174	\$ 63	\$ 241
8660	Fines, penalties, judgments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8670	Organizational (corp) expenses	\$ 5,000	\$ 1,677	\$ 927	\$ 872	\$ 317	\$ 1,207
Total OTPS		\$ 913,724	\$ 194,969	\$ 379,081	\$ 159,009	\$ 37,525	\$ 143,140
Total Expenses		\$ 1,792,676	\$ 479,377	\$ 552,409	\$ 305,397	\$ 93,872	\$ 361,621
NET SURPLUS (DEFICIT)		\$ 251,444	\$ 264,123	\$ 2,061	\$ (8,047)	\$ 1,728	\$ (8,421)